3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his [204] deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [447] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, 648 Hietzing, that was large enough to accommodate his family and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

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Such conditions, combined with the hardships that have already been described, carried with them the danger of serious unrest, and it is fortunate that a method was worked out in 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price–wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism.

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time.

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved.

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[1] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

1 [U.S. IN THE CHANGED POLITICAL CONDITIONS AFTER 1932 -- ANN
2 RE CARTELS -- p. 77 -- ANALYSE]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

On the outbreak of the great economic depression the German steel magnates decided to concentrate production in Germany. All Austrian blast furnaces were closed down and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when